

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 SCEM-02 SCI-06 CEQ-02 PA-04 PRS-01 HEW-08

INT-08 FPC-01 HUD-02 USIA-15 H-03 L-03 DRC-01 /193 W

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FM AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EFIN, EGEN, AR

SUBJ: PLAN TRIENIAL; 1974 BUDGET, RELATED ISSUES

1. NEXT WEEK PRESIDENT PERON IS SCHEDULED TO ANNOUNCE TO NATION THREE-YEAR DEVELOPMENT PLAN (1974-1976). GOA LATELY DEVOTING CONSIDERABLE PUBLICITY TO PLAN AND FORTHCOMING SPEECH, INCLUDING SEVERAL PRESS CONFERENCES BY MIN OF ECON ON SELECTED ASPECTS. IN SUM, STAGE HAS BEEN WELL SET FOR MAJOR PRONOUNCEMENT ON FUTURE ECONOMIC PROGRAMS AND POLICIES. GOA LIKELY SEEK MOBILIZE AND UNIFY COUNTRY IN PATRIOTIC EFFORT ACHIEVE PLAN OBJECTIVES.

2. PERON ADDRESS VERY LIKELY EMPHASIZE GENERAL DEVELOPMENT PHILOSOPHY AND INVESTMENT OBJECTIVES WHICH ALREADY KNOWN, AT LEAST IN BROAD OUTLINES. IN VIEW OF HIGH DEGREE OF PUBLICITY, EMBASSY WOULD NOT DISCOUNT POSSIBILITY OF PERON'S ANNOUNCING SOME MORE STARTLING CHANGES OF IMMEDIATE IMPACT. WHILE PURE SPECULATION, THE SPEECH MIGHT DISCLOSE SPECIFIC NEW FOREIGN INVESTMENT, PLANS, SOME CHANGES ON THE WAGE/PRICE FRONT, OR EVEN SOME IMPORTANT ADJUSTMENT IN TRADE AND EXCHANGE

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REGIME.

3. IN ONE RECENT PRESS CONFERENCE, MIN ECON RELEASED SOME FRAGMENTARY DATA ON 1974 BUDGET WHICH WILL SOON GO TO CONGRESS. INITIAL FIGURES INDICATE THAT THE PUBLIC SECTOR WILL CONTINUE TO BE STRONGLY EXPANSIVE FACTOR ON MONEY SUPPLY WITH ADVERSE IMPLICATIONS FOR PRICE/WAGE CONTROL PROGRAM. TREASURY EXPENDITURES BUDGETED AT 49,933 MILLION PESOS, WHICH ONLY 11.5 PERCENT ABOVE CURRENT BUDGET FIGURE FOR 1973 OF 44,772 MILLION PESOS. HOWEVER THIS APPARENTLY GRADUAL INCREASE ACHIEVED VIA SHARP DROP IN TREASURY TRANSFERS TO PROVINCES AND STATE ENTERPRISES PASSING FINANCIAL PROBLEM TO THEM. PERSONNEL COSTS (SALARIES) ARE BUDGETED TO INCREASE 31 PER CENT. IN ADDITION, ACTUAL TREASURY CASH EXPENDITURES ARE USUALLY WELL ABOVE INITIALLY BUDGETED LEVELS. DEFICIT BUDGETED AT 12,996 MILLION PESOS COMPARED WITH 19,000 MILLION UNDER CURRENT 1973 BUDGET, WITH MOST OF IT FINANCED BY CENTRAL BANK BORROWING.

3. GOA MUST IMPROVE TAX COLLECTION CAPABILITIES IF AMBITIOUS PUBLIC SECTOR PLANS FOR '74 AND BEYOND ARE TO BE FINANCED WITHOUT RESULTING IN STRONG INFLATIONARY PRESSURES. IN '74 BUDGET, TAX COLLECTIONS ARE ESTIMATED TO INCREASE BY 45 PER CENT OVER CURRENT BUDGET LEVEL. THIS PROJECTION SEEMS EXCEEDINGLY OPTIMISTIC IN VIEW CURRENT LOW CORPORATE PROFITS AND GENERALLY REDUCED PRIVATE SECTOR INVESTMENT. GOA CURRENTLY HAS ELEVEN TAX BILLS BEFORE CONGRESS DESIGNED TO SIMPLIFY REGULATIONS, REDUCE EVASION, ETC. POSSIBLE REVENUE RAISING POTENTIAL OF NEW PACKAGE NOT KNOWN, ALTHOUGH GOA TAX OFFICIALS DO NOT EXPECT NEW LAWS BY THEMSELVES WILL RESULT IN LARGE REVENUE INCREASES (BA 8033). RECEIPTS UNDER TAX WHITEWASH (BA 8281) REPORTEDLY HAVE BEEN HIGH AND FINAL COMPLIANCE DATE HAS BEEN EXTENDED TO JANUARY. EMBASSY HAS HEARD GOA TAX AUTHORITIES ARE CONDUCTING INTENSIVE INVESTIGATION OF ABOUT 200 ARGENTINE AND FOREIGN COMPANIES (INCLUDING SEVERAL AMERICAN) POSSIBLY WITH IDEA OF PRESSING THEM INTO USING WHITEWASH.

4. IN ANOTHER PRESS CONFERENCE, MIN OF ECON PROVIDED SOME DATA ON CERTAIN INVESTMENT PRIORITIES UNDER THREE-YEAR PLAN. LARGE INCREASES ARE SCHEDULED FOR PUBLIC SECTOR EXPENDITURES ON SOCIAL SERVICES INCLUDING EDUCATION, HEALTH AND WELFARE. ALSO, THERE ARE SIGNIFICANT INCREASES IN EXPENDITURES PLANNED FOR STATE ENTITIES IN FIELDS OF FUELS, ELECTRIC ENERGY, STEEL HOUSING AND POLLUTION CONTROL. EMBASSY WILL FORWARD TO DEPT BY AIRGRAM DETAILS OF INVESTMENT PLAN AS SOON AS AVAILABLE.

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TURES ON SOCIAL SERVICES INCLUDING EDUCATION, HEALTH AND WELFARE. ALSO, THERE ARE SIGNIFICANT INCREASES IN EXPENDITURES PLANNED FOR STATE ENTITIES IN FIELDS OF FUELS, ELECTRIC ENERGY, STEEL HOUSING AND POLLUTION CONTROL. EMBASSY WILL FORWARD TO DEPT BY AIRGRAM DETAILS OF INVESTMENT PLAN AS SOON AS AVAILABLE.

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